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PROPOSED AMERICAN FAMILIES PLAN INCLUDES \$500K GAIN CAP

President Biden has released the details of his \$1.8 trillion [American Families Plan](#), which includes a \$500,000 gain cap on like-kind exchanges as a means to pay for the proposal. This proposal is a direct threat to Section 1031. According to the attached document released by the White House:

“The President would also end the special real estate tax break -- that allows real estate investors to defer taxation when they exchange property -- for gains greater than \$500,000...”



How you can help:

- **Send a letter to Congress:** Members of Congress depend on stories from their constituents. Tell your legislators about how like-kind exchanges have worked for you and urge them to preserve Section 1031 like-kind exchanges in any future tax reform legislation. Visit the below-linked website to compose your message. An UPDATED grassroots letter is available for you to send to your members of Congress urging them to preserve Section 1031. [Tell Congress: Section 1031 Like-Kind Exchanges are Important to the Economy \(1031taxreform.com\)](#)
- **Talk with your contacts** about protecting Section 1031. Below is a comment on President Biden's proposed gain cap that GAC co-chairs have given to members of the news media. Please feel free to utilize these comments as you talk with your own contacts about the proposal.

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Comment from the FEA on President Biden's proposed \$500,000 cap on Section 1031:

The FEA opposes the Administration's proposal to limit IRC Section 1031 like-kind exchange deferral to a maximum of \$500,000 of gain, as a means to pay for the American Families Plan. We view this proposal, which would effectively eliminate commercial real estate exchanges, as well as larger farm and ranch exchanges, as a misguided view of the actual purpose and benefits of like-kind exchanges.

Section 1031 encourages real estate transactional activity, and in doing so, is a powerful

stimulator of the U.S. economy. Section 1031 is not an unfair or abusive loophole. It is broadly used by taxpayers ranging from middle class individuals exchanging rental houses and small apartment buildings, farmers, and small to mid-sized businesses, to larger taxpayers exchanging large commercial properties in major metropolitan areas. Smaller exchanges create a stable inventory of decent, affordable housing for working families. Section 1031 encourages turnover and investment of fresh capital in these properties, improving neighborhoods and providing decent places to live. Studies have shown that 1031 buyers invest significantly more capital in replacement properties than do non-1031 buyers.

Higher valued commercial real estate exchanges are an important source of jobs for contractors, skilled and unskilled blue-collar workers, lenders, real estate brokers, Qualified Intermediaries, title insurers, escrow companies, surveyors, appraisers, architects, landscapers, building material suppliers and more. The income earned generates tax revenue and consumer spending, furthering the economic impact. Recent research by EY has estimated that like-kind exchanges are expected to generate 568,000 jobs this year, including \$27.5 billion of labor income and a total of \$55.3 billion of value added to the US economy. The economic impact of like-kind exchanges in their present form is a far better “pay-for” than eliminating this powerful stimulus.

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